

PROSPERITY NOW

RIGHT-SIDE UP CAMPAIGN

Sign Up for Prosperity Now's Turn It Right-Side Up Tax Campaign!

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Below is our tax reform policy agenda for 2019. By signing up for Prosperity Now's Right-Side Up Tax Reform Advocacy Campaign, you will receive valuable information about steps you can take to turn the tax code right-side up, such as prompts to support or oppose legislation that affects the communities where you live and work.

Tax Preparation Priorities

Increase funding to keep up with growing demand for VITA (the Volunteer Income Tax Assistance program). VITA supports hard-working Americans, including those with limited means, disabilities and limited English proficiency, by helping them to accurately complete their taxes for free. In 2019, tens of thousands of IRS-certified volunteers working at more than 3,700 VITA sites across the country prepared over 1.5 million tax returns, all while achieving a 98% accuracy rate—the highest in the tax preparation industry. These sites generated over \$1.8 billion in refunds to households generally earning less than \$54,000 in annual income. Right now, funding constraints limit VITA sites' ability to serve more working families in their communities. Increasing federal funding from \$18 million to \$30 million annually would allow VITA to hire new staff for program coordination, add new sites, improve volunteer recruitment and increase outreach to low-income households. More funding would also help VITA adjust to increasing demand related to the TCJA as well as increasingly constrained resources at the IRS.

Pass competency standards on paid tax preparers. Paid tax preparers are unregulated in 46 states. This leads to basic competency issues and errors as well as some paid tax preparers preying on tax filers. Congress should act to ensure quality and training for paid tax preparers and protect consumers. The IRS already requires paid tax preparers to register. Congress should require tax preparers to be licensed, pass basic competency standards to prevent errors, fraud and abuse, and protect consumers by requiring that preparers clearly disclose cost structures and fees. VITA, which requires training and licensing by the IRS, presents a model for the paid tax preparation industry, as do the four states that already regulate preparers: California, Maryland, New York and Oregon.

Tax Policy Priorities

Encourage working families to use tax time to save for emergencies. The Refund to Rainy Day Savings Act (S. 1018; H.R. 2112 in the 116th Congress) would allow tax filers to defer 20% of their tax

refund, which would accumulate interest for six months before being deposited into the filer's direct deposit account. Sponsored by Sens. Cory Booker (D-NJ), Tom Cotton (R-AR), Doug Jones (D-AL) and Todd Young (R-IN) as well as Reps. Bonnie Watson Coleman (D-NJ-12) and French Hill (R-AR-2), the bill includes a pilot program to match deferred tax refunds for lower-income filers, encouraging the use of the tax credit as an emergency savings tool. Finally, the bill expands the flexibility of the Assets for Independence (AFI) grant program, which encourages earnings, savings and self-sufficiency by offering matching funds to help low-income workers save and build assets.

Provide every child, at birth, with the economic resources needed to begin building long-term economic security and generational wealth. The American Opportunity Accounts Act (S. 3766 in the 115th Congress), introduced by Sen. Cory Booker (D-NJ), would ensure that every one of the four million children born each year would receive an American Opportunity Account seeded with an initial \$1,000 deposit. Until they turn 18, children from low- and moderate-income families (those who make up to \$81,575 for a family of four) will have their accounts, administered by the U.S. Department of the Treasury, boosted through direct deposits of additional, automatic yearly investments of up to \$2,000. At age 18, the funds could be used by the child to invest in wealth-building opportunities, such as a higher education or homeownership. While the challenges of addressing rising economic inequality and a growing racial wealth divide are vast, the American Opportunity Accounts Act is a bold step in the right direction.

Reform the American Opportunity Tax Credit (AOTC) to encourage families to start saving early for college. Currently, a family incurring college expenses can receive a \$2,500 tax credit for each of a student's first four years of higher education. But this support only comes months after families pay for college, which makes it difficult for low- and moderate-income households to keep up with college expenses. The Save for Success Act (H.R. 2378 in the 115th Congress) would deploy existing federal spending on higher education tax credits more effectively by encouraging families to save for college. Families could receive up to a \$250 match of the AOTC for every year that they save in a 529, starting with the birth of their child. The maximum credit of \$10,000 would remain the same, so if a family saved \$250 annually until their child turned 18, they would be eligible for \$5,500 in tax credits during the student's college years.

Enact the Working Families Tax Relief Act (H.R. 3157; S. 1138) to expand tax credits for low- and moderate-income households. This legislation would raise the maximum credit of the EITC (the Earned Income Tax Credit) for childless workers, expand the eligibility age range and increase the maximum credit families with children could receive. Moreover, this bill would make the Child Tax Credit (CTC) fully refundable and add an additional \$1,000 refundable tax credit to households with children under the age of six. Moreover, families who live in Puerto Rico would be eligible for the CTC under the same criteria as families in the rest of the country (currently, they can only get the credit if they have three or more children). Lastly, the bill would include the regulation of paid tax preparers, reducing fraud and better protecting tax filers.